

VZCZCXRO5542
PP RUEHDE RUEHDIR
DE RUEHDO #0889/01 3631307
ZNY CCCCC ZZH
P 281307Z DEC 08
FM AMEMBASSY DOHA
TO RUEHC/SECSTATE WASHDC PRIORITY 8564
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUEHUL/AMEMBASSY SEOUL 0330

C O N F I D E N T I A L SECTION 01 OF 02 DOHA 000889

SIPDIS

E.O. 12958: DECL: 12/28/2018

TAGS: [ENRG](#) [EPET](#) [PREL](#) [QA](#) [KS](#)

SUBJECT: SOUTH KOREA TO RECEIVE MORE QATARI GAS, FOR A PRICE

REF: DOHA 811

Classified By: Charge D'Affaires Michael A. Ratney for Reasons 1.4 (b) and (d).

(C) KEY POINTS

-- South Korea's Prime Minister received a "verbal promise" from Qatar's energy leaders for additional liquefied natural gas (LNG) supplies, provided Seoul is willing to pay a higher price, according to two South Korean diplomats in Doha.

-- South Korea is following the discussion of a "cartel" among gas exporters but seeks to separate political issues from its commercial dealings with Qatar.

-- Qatar plans to buy 54 LNG tankers from Korean shipyards, a major investment which will help double Qatar's export capacity.

(C) COMMENT

-- At least some of Qatar's gas contracts reportedly allow Qatar to divert shipments when higher prices are available on the spot market.

-- A string of high-level foreign leaders have visited Doha in recent months to plead for additional gas supplies, with most rebuffed as Qatar's current production is fully committed. However, since South Korea is Qatar's largest importer of gas, and there is an established commercial relationship, Qatar may be willing to make an exception for Seoul.

End Key Points and Comment.

Promise for More Gas

[1](#)1. (C) South Korean DCM and Counselor Sung-hwan Moon and First Secretary responsible for Economic and Energy Issues Dr. Heonsang Koo told Econoff Fabrycky December 21 that Korean Prime Minister Han Seung-soo came to Doha for two days with a delegation of 40-plus members for the Financing for Development conference in late November. During the visit the Prime Minister received a "verbal promise" from Energy Minister Abdullah Al-Attiyah and the Amir's Economic Advisor, Dr. Ibrahim Al-Ibrahim, that Korea could have an additional 2 million tons per annum (mta) if it was willing to pay a higher price for the gas than is the case under current contracts.

[1](#)2. (C) South Korea is currently Qatar's largest gas customer, at about 7 mta of regular shipments and usually about 1 mta of spot shipments. (Note: This accounts for about one-quarter

of Qatar's current LNG exports). The gas is imported via KOGAS, a state-run natural gas distribution company. Moon noted that KOGAS deals on most issues directly with the GOQ and so the embassy usually has only tertiary knowledge in the energy relationship. However, he noted that Korea needs two mta of additional gas and has two options - they find small available amounts from various current suppliers (Australia, Indonesia, and others) or they get it "all in one swoop" from Qatar.

Korea Staying Away from Political Issue of Gas Cartel

¶3. (C) Asked how Korea views the recent public discussion of a gas cartel and possible joint Qatari projects with Iran, the two diplomats noted that they and South Korean leadership are "following it." However, South Korea tends to stay away from the political aspects of the energy sector and tries to keep the focus on the commercial relationship. Moon mused that he "feels sorry" for Qatar because in some ways the country is like Korea - surrounded by bigger powers and needing to find a way to have a relationship with each one.

Taner Order to Boost Qatar's Export Capacity

¶4. (C) Separately, Moon noted that Al-Attiah visits Korea every year as part of a swing through Qatar's Asian customers. On his most recent visit, he checked the status of Qatar's order for 54 LNG tankers from Korean

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manufacturers, which started making deliveries this year. (Note: Qatar's order represents almost half of the LNG tankers either under construction or on order around the world. Most of these mega-tankers will significantly increase the size of Qatar's export capacity; e.g., the new Q-Max has a 266,000 cubic meter capacity.)

Ratney